

AMERICAN BANKER

It's official: White House taps Calabria as head of FHFA

Hannah Lang

December 12, 2018

The White House has confirmed plans to nominate Mark Calabria as the next director of the Federal Housing Finance Agency.

Calabria, the chief economist for Vice President Mike Pence, has expressed skepticism about the role of Fannie Mae and Freddie Mac in the mortgage market, and if confirmed, will likely use his position to significantly limit their scope.

Calabria, a former Republican aide on the Senate Banking Committee, emerged as the top choice to succeed current agency director Mel Watt—whose term will end in January—earlier in the week. The White House made it official late Tuesday. If confirmed, he will serve a five-year term.

His appointment was lauded by several Republicans who have also previously advocated for shrinking the footprint of the government-sponsored enterprises.

“At a moment in time when the future of housing finance policy in our country will be permanently shaped by the next FHFA Director, I can think of no better or more responsible person for the role than Dr. Calabria and applaud President Trump for his outstanding pick,” the outgoing House Financial Services Committee chairman, Jeb Hensarling, said in a press release.

Rep. Patrick McHenry, R-N.C., the incoming top GOP member of the panel, called Calabria “a strong choice to lead FHFA.”

“Throughout his career, Mark has been a thought leader in advancing free market solutions to complex policy areas,” McHenry said in a press release. “I’m confident he will bring these same skills to FHFA and the American homeowner will benefit from Calabria’s service to our country.”

Sen. Pat Toomey, R-Pa., underscored Calabria’s experience working in Congress, the White House and academia. Before working for Pence, Calabria was the director of financial regulation studies at the Cato Institute.

“He is an excellent choice to lead the Federal Housing Finance Agency, and I look forward to working together to pursue market-driven reforms that protect taxpayers from future bailouts and lead to a healthier housing market,” Toomey said in a press release.

The National Association of Federally-Insured Credit Unions called Calabria’s nomination “well deserved.”

“In our numerous meetings with Mr. Calabria, it is clear he has a firm understanding of credit union issues and of the important role the GSEs play in their mission,” said NAFCU President and CEO Dan Berger.

However, some housing advocates are wary of the agency’s future with Calabria at the helm.

“Calabria is a libertarian economist who has endorsed eliminating the 30-year fixed-rate mortgage, which has made sustainable homeownership possible for millions of Americans,” said David Dworkin, president and CEO of the National Housing Conference. But Calabria, he added, is “smart, thoughtful and open to fact-based arguments.”

Calabria’s extensive experience combined with a Republican majority in the Senate will certainly help him get confirmed in the next Congress, although it could take until March for him to even be granted a confirmation hearing, Jaret Seiberg, an analyst with Cowen Washington Research Group, wrote in a note.

“He has sat through scores of such hearings,” Seiberg said. “He understands the need to moderate his view and reassure those who worry about what he could do to housing finance.”

Seiberg also cautioned that although Calabria has previously promoted putting Fannie and Freddie in receivership, it’s unlikely he would go through with such a drastic alteration.

“It is true that Calabria has suggested that Fannie and Freddie should be moved into receivership, but we do not see him taking that step for the same reason that his predecessors kept Fannie and Freddie out of receivership for the past decade,” Seiberg said. “Such a move would disrupt the housing market. That is not an outcome that either the Trump administration or Congress wants.”